

DEXUS Property Group
Half Year Report 2008



CONTENTS

KEY RESULTS	3
STRATEGY	4
CHIEF EXECUTIVE OFFICER'S REPORT	6
FINANCIAL REPORTS	18
INVESTOR INFORMATION	21
DIRECTORY	22

KEY RESULTS

	31 Dec 2008	30 Jun 2008
Closing price (ASX code: DXS)	\$0.82	\$1.38
Net tangible assets per security	\$1.33	\$1.77
Number of securities on issue	3.48bn	3.04bn
Number of security holders	21,792	22,288
	\$bn	\$bn
Market capitalisation	2.85	4.19
Total assets	9.6	9.3
Borrowings	3.4	3.0
Gearing (look through basis)	37.3%	33.2%
Net assets attributable to security holders	4.9	5.6
Third party funds under management	6.1	6.4
Total funds under management	15.2	15.3
Property	31 Dec 2008	30 Jun 2008
Number of property investments	205	206
Portfolio occupancy	93.1%	93.7%
Portfolio average lease duration	4.8 years	4.8 years
	31 Dec 2008	31 Dec 2007
Funds from operations (\$m)	189	173
Funds from operations (cents per security)	5.4	5.9
Distributions (\$m)	132	173
Distributions (cents per security)	3.8	5.9

STRATEGY



Governor Phillip Tower, 1 Farrer Place, Sydney, NSW



OWN MANAGE DEVELOP

At DEXUS, our vision is to be a leading owner, manager, developer of high quality office and industrial properties in Australia and selected international markets.

Our strategy is to deliver superior results for all our stakeholders by:

- owning, managing, developing world-class sustainable properties
- maximising returns for our investors
- being an employer of choice
- ensuring we have a positive impact on the communities in which we operate

CHIEF EXECUTIVE OFFICER'S REPORT



The Zenith, Pacific Highway, Chatswood, NSW

I AM PLEASED TO PRESENT THIS HALF YEAR REPORT TO SECURITY HOLDERS OF DEXUS PROPERTY GROUP FOR THE SIX MONTHS TO 31 DECEMBER 2008.

Well positioned in challenging economic conditions

The environment within which DEXUS is operating continues to be volatile and it is certain that we can expect these challenging times to persist for some time to come.

While the current economic conditions are impacting our operating activities, DEXUS is well positioned to weather these conditions and the active management focus of our experienced team continues to deliver results in-line with our expectations.

Our focus, therefore, is to continue to do what we've always done – strive to maximise returns for our investors by proactively managing our property portfolio, our balance sheet and by working with our people to drive operational efficiencies while providing service excellence to our customers.

We continue to deliver on our strategy to be a leading owner, manager, developer of high quality office and industrial properties in key locations in selected markets. In Australia we are the owner, manager, developer of the largest and highest quality office portfolio and the third largest industrial portfolio.

Our portfolios are diversified therefore reducing exposure to any one industry sector. In addition, we have strong tenant relationships in place with quality covenants

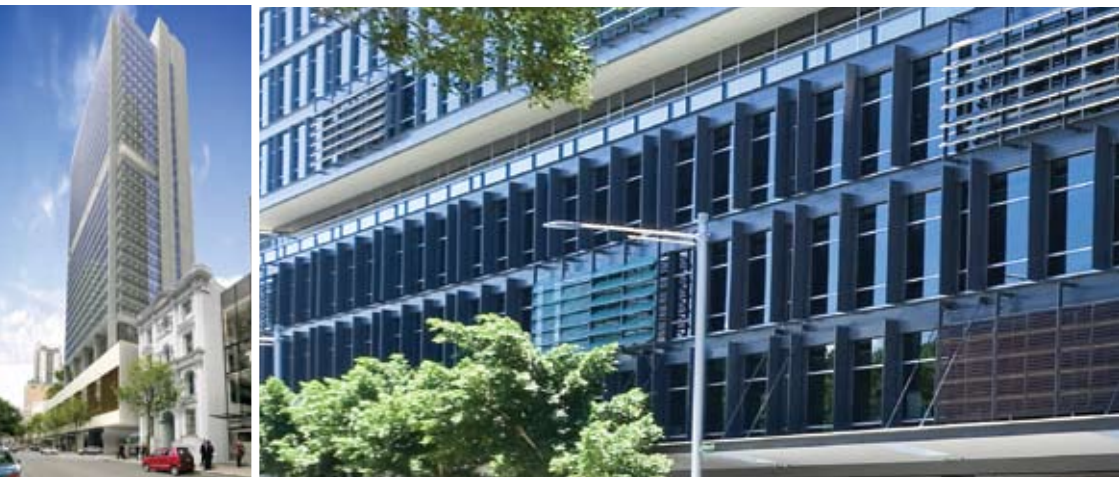
reflected in our high occupancy and retention rates, meaning we are well positioned to succeed through these tougher operating conditions.

Financial performance

Operating earnings remained strong at \$251 million; a decrease of just 1% from December 2007. This result reflects the underlying strength of our portfolios and our active management approach which is continuing to derive steady earnings despite the challenging environment.

After allowing for interest and tax, Funds From Operations (FFO) was \$189 million, an increase of 9% over the prior period. Following the issue of additional securities during the period, FFO per security decreased to 5.4 cents from 5.9 cents in line with guidance provided in December 2008.

The Group's net loss after tax attributed to security holders for the six months ending 31 December 2008 was \$954 million. This result is after allowing for non-cash unrealised mark to market losses on derivatives of \$428 million, property devaluations and impairment of property plant and equipment (PP&E) totalling \$773 million and an \$84 million deferred tax benefit primarily as a result of the US property devaluations.



Artist's impression of 123 Albert Street, Brisbane, QLD

DEXUS has always focused on our core property assets to ensure consistent and sustainable earnings. Earnings continue to be derived predominantly from rental income, 98% as at 31 December 2008.

In addition, our earnings are weighted towards quality Australian assets which continue to perform well. Nearly 70% of property earnings are generated by our core Australian operating sectors in office and industrial.

The main contributors to operating earnings were:

- Office net property income of \$119 million. This was down 3% on December 2007, primarily due to the loss of rental income as a result of the demolition of properties within the Bligh and Albert Street developments. The underlying like-for-like income growth for the office portfolio was 3.1% over the period
- Australian industrial net property income of \$53 million, up 2% on December 2007. This increase was driven by like-for-like income growth of 3.4% with increases generally across the Australian industrial portfolio
- International net property income of \$77 million, up 18% in the period. The increase comprised 14% from currency movements and 4% from the underlying portfolio and includes the acquisition of two Whirlpool properties. Underlying like-for-like income reduced by 2.2% in North America and 2.8% in Europe reflecting the more difficult economic conditions in these markets
- Following the disposal of five retail properties in October 2007, retail net property income was at \$7.7 million, down \$12.2 million on the prior period



30 The Bond, Hickson Road, Sydney, NSW

Economic conditions affecting property valuations have continued to be impacted by reduced confidence, tighter credit conditions and increased risk aversion by investors. In Australia, we have also seen the softening of capitalisation rates as the primary driver influencing valuations. In North America and Europe, we have seen property fundamentals and discount rates as being key valuation drivers.

The number of property transactions in 2008 has also declined sharply and therefore there has been limited sales evidence to support property revaluations. Properties that have leasing risk or are secondary in nature have seen the largest deterioration in value. Premium grade properties which make up the majority of the DEXUS portfolio have generally been impacted to a lesser degree.

Looking ahead, our expectation is that we will see property fundamentals and values continue to be under pressure.

In line with our valuation policy, we externally revalued 22% of the portfolio in December 2008 and in addition we internally revalued the remainder of our portfolio including property classified as PP&E. The average capitalisation rate across our entire portfolio is now 7.4% which resulted in a book value decrease of \$773 million or 8.1%.

The Group's net assets attributable to security holders as at 31 December 2008 were \$4.9 billion. The net tangible assets per security were \$1.33, down 44 cents since 30 June 2008. The key factors causing this reduction were property devaluations and impairments of \$773 million, the impact of the Institutional placement, the Dividend

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

Reinvestment Plan (DRP), and unrealised mark to market of derivatives. Net assets have not been impacted by the weakening Australian dollar due to our policy of hedging foreign net asset exposures.

Prudent capital management

Active capital management has always been a key focus of DEXUS and the last six to 12 months was a very busy period in this regard. We have been proactive in relation to our refinancing commitments as well as initiating additional measures to strengthen and improve our capital position.

These include putting in place debt facilities that achieve the refinancing of all our maturing debt to February 2010. In addition, we have obtained an additional debt commitment of \$250 million with an international bank. In December 2008 we successfully completed a \$300 million

placement and recently undertook a Security Purchase Plan which raised a further \$12 million.

At the Annual General Meeting in October 2008 we announced a change to our distribution policy to reflect a payout ratio the greater of 70% of FFO or taxable income. This prudent measure will result in approximately \$100 million being retained each year for operating and leasing capex that was previously funded with debt and the DRP.

Finally, in February 2009, we announced the disposal of a 33% interest in the Bligh Street redevelopment and joint venture with Cbus Property, who share our vision to own, manage and develop world-class property assets. This partial disposal resulted in a \$60 million upfront payment from Cbus Property, which was used to retire debt, and a reduction in our development expenditure and exposure by over \$200 million.



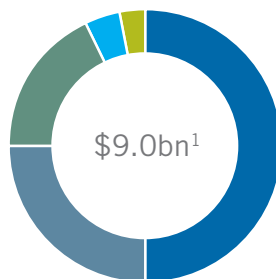
Above: 1-15 Rosebery Avenue, Rosebery, NSW; Axxess Corporate Park, Mt Waverley, VIC

DEXUS has a strong balance sheet with all our financial metrics well within covenant limits, including gearing, which at 31 December 2008 was at 37.3%. In November 2008 Standard and Poor's reaffirmed DEXUS Property Group's BBB+/Stable credit rating.

Property fundamentals

Overall property fundamentals remain solid and significant leasing activity has been achieved, resulting in continued high occupancy and retention rates across all sectors reflecting the strong relationships we have with our tenants. Overall occupancy is 93.1% with an average lease duration of 4.8 years. Our portfolio is diversified across the office and industrial sectors in Australia and internationally.

PORTFOLIO DIVERSIFICATION AS AT 31 DECEMBER 2008



Office Australia ²	50%
Industrial North America	25%
Industrial Australia	18%
Industrial Europe	4%
Retail Australia	3%

1 Excludes cash and intangibles.

2 Office includes car parks.



Laverton North Industrial Park, VIC

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

Office

Australia/New Zealand

Our high quality office portfolio continued to perform well during the period driven by proactive leasing and property management. The office portfolio consists of 29 office buildings, including four car parks.

At 31 December 2008 the office portfolio was valued at \$4.5 billion. 94% of office assets and business parks are of Premium or A-grade quality. The portfolio contributed \$119 million or 46.2% to net property income, with like-for-like income growth of 3.1%. As at 31 December 2008 the portfolio was 9% under rented, providing scope for future income growth.

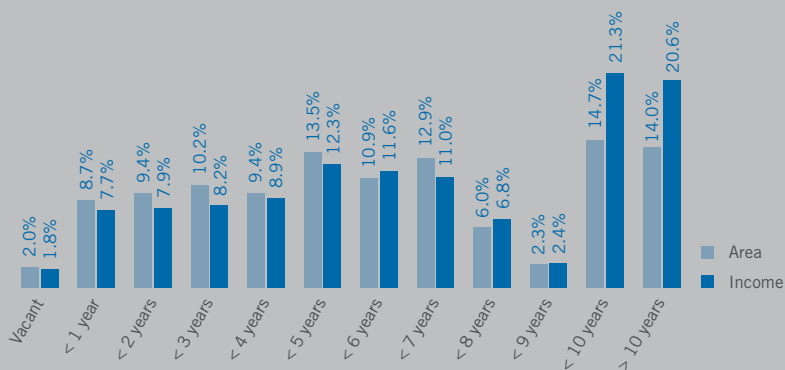
We continue to actively manage the office portfolio and as a result of strong leasing activity throughout the period, occupancy remained high at 98% and the average lease duration was 5.5 years with tenant retention rates steady at 74%.

In the period we completed 64 leasing transactions over 25,000 square metres in our existing portfolio with major deals achieved with Adobe, Dairy Australia and Australia Post.

In the office portfolio we have two major office developments underway with an estimated cost to completion of \$400 million:

- 1 Bligh Street, Sydney, NSW – 42,000 square metre office tower development designed to achieve a 6 star Green Star, 5 star NABERS Energy Rating, located in the heart of the CBD, scheduled for completion in mid 2011
- 123 Albert Street, Brisbane, QLD – 38,000 square metre office tower development designed to achieve a 6 star Green Star, 5 star NABERS Energy Rating, located in the CBD, scheduled for completion in December 2010

AUSTRALIAN OFFICE LEASE EXPIRY AS AT 31 DECEMBER 2008
(% of portfolio available for lease)



60 Miller Street, North Sydney, NSW; Australia Square, George Street, Sydney, NSW

At 1 Bligh Street, Sydney we have secured Clayton Utz as a tenant over 55% of space and earlier in 2008 we secured Rio Tinto as a tenant over 68% of 123 Albert Street, Brisbane. We are in negotiations with prospective tenants for both of these developments.

The extension at 60 Miller Street, North Sydney is now complete and is fully leased with new leases with Carnival and Covermore.

Industrial

Our industrial portfolio performed well during the period against more challenging market conditions in Australia, and in particular in the US and Europe. The industrial portfolio provided \$131 million in net property income, 50.8% of total net property income. The portfolio value increased to \$4.2 billion from \$3.9 billion in June 2008.

The portfolio is well diversified with a 71% weighting to Australia and 25% to the US.

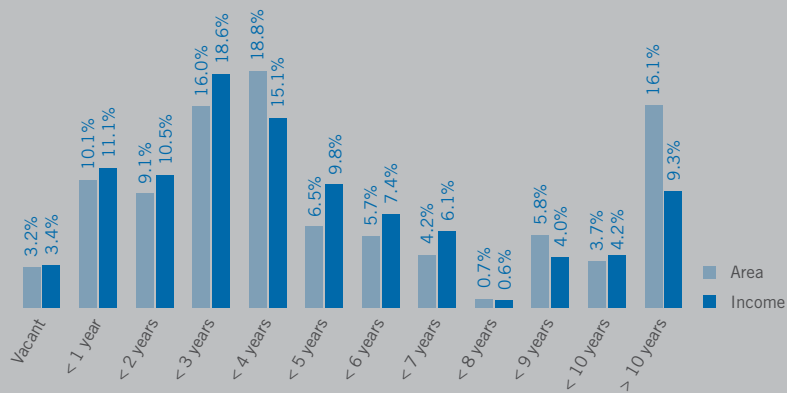
While we expect to see continued softening in the European and US markets, the quality and diversification of our portfolio, combined with our focus on active property management stands us in good stead to deliver sound results.

Australian industrial portfolio

The Australian industrial portfolio was valued at \$1.6 billion and contributed \$53.4 million or 20.7% of net property income. The portfolio consists of 38 properties with revaluations during the period resulting in a decrease in value of \$78 million or 5.2%.

Occupancy remained high at 96.8%, down 1.8% from 30 June 2008 and the average lease duration increased to 4.5 years, up from 4.4 years at 30 June 2008. Active portfolio management saw new leases, renewals and heads of agreement signed over 115,000 square metres, boosting tenant retention rates to 79%.

AUSTRALIAN INDUSTRIAL LEASE EXPIRY AS AT 31 DECEMBER 2008
(% of portfolio available for lease)



Pound Road West, Dandenong, VIC



CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

North American industrial portfolio

The North American industrial portfolio consists of 117 properties and is valued at approximately US\$1.6 (A\$2.2) billion, down from US\$1.8 billion at 30 June 2008.

Revaluations during the period resulted in a devaluation of US\$289 (A\$384) million due to challenging market conditions, softening capitalisation rates and negative market sentiment.

The portfolio contributed \$66 million or 25.6% of net property income. Property fundamentals remain sound and active leasing in the period saw 210,000 square metres leased and tenant retention at 70%. Overall occupancy is down by 1% to 90.8%, with an average lease duration of 4.3 years, up from 3.9 years at June 2008. This is consistent with the trend

we are experiencing for tenants to remain in their current space, rather than relocate in these more volatile economic conditions.

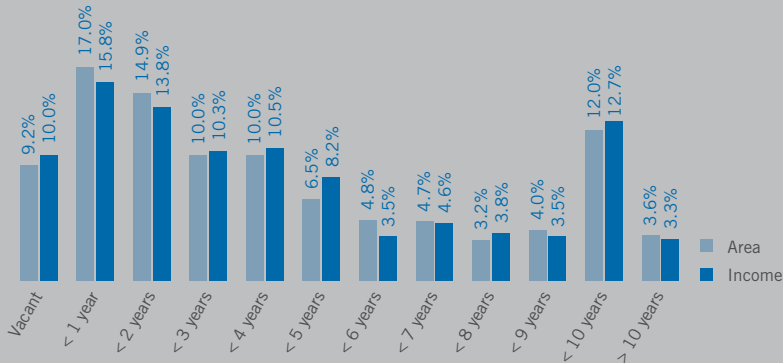
The Whirlpool program is on track and the remaining three properties are scheduled to be acquired later in 2009 with an estimated value of \$329 million.

European industrial portfolio

DEXUS Property Group's European portfolio comprises 20 industrial properties in France and Germany, with a combined book value of \$325 million, contributing \$11.6 million or 4.5% of net property income.

Revaluations resulted in a devaluation of \$66 million as a result of the softening conditions in the European property markets. Occupancy and lease durations are at 87.7% and 3.3 years respectively.

NORTH AMERICAN INDUSTRIAL LEASE EXPIRY AS AT 31 DECEMBER 2008
(% of portfolio available for lease)



Whirlpool, North Perris Boulevard, Perris, CA, USA; Newton Drive, Carlsbad, CA, USA

Retail

DEXUS Property Group's sole retail asset is a 50% interest in Westfield Whitford City in WA. The centre continues to perform well and contributed \$7.7 million or 3% of net property income. Moving annual turnover was \$474 million for the period to 31 December 2008 and occupancy remains high at 99.9% with an average lease duration of 4.2 years.

Third party funds

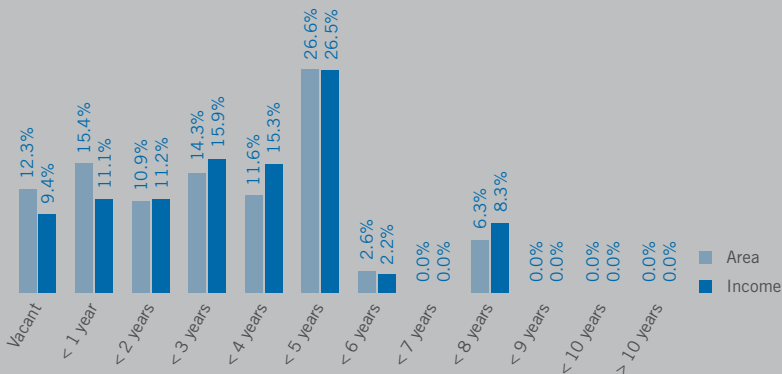
At \$6.1 billion, DEXUS's third party funds management business remains one of the largest third party platforms in Australia. The portfolio is well diversified by investor base and asset class and overall has less than 10% debt. The platform comprises the DEXUS Wholesale Property Fund, two property syndicates and two direct

property mandates. The third party funds management business provides a stable income stream which is not reliant on performance fees.

Sustainability

DEXUS continued to drive sustainable performance in the period with continued focus on resource efficiency projects, community engagement and sustainable developments. In December 2008 the Group received an Environmental award nomination at Ethical Investor's 8th Australian Sustainability Awards and in January 2009, DEXUS was named one of the world's 100 most sustainable corporations in the fifth annual "Global 100" list, announced at the Davos World Economic Forum in Switzerland.

EUROPEAN INDUSTRIAL LEASE EXPIRY AS AT 31 DECEMBER 2008
(% of portfolio available for lease)



Liverpool Street, Duisburg, Germany





L to R: Development underway at 1 Bligh Street, Sydney, NSW; artist's impressions of 1 Bligh Street, Sydney, NSW

Distribution policy

During the period we revised our distribution policy to reflect a payout ratio the greater of 70% of FFO or taxable income. This amount approximates 100% of operating cashflow less the amount necessary to meet tenant incentives and maintenance capex. In line with this policy, the December 2008 half year distribution was 3.8 cents per security.

Outlook

In 2009, we expect conditions to continue to be challenging with continued pressure on property valuations and new leasing enquiry slowing, with tenants preferring to stay put rather than relocate.

Our focus will remain on:

- Actively managing our property portfolio to extract value and deliver sustainable income
- Driving a high performance culture with our experienced teams and delivering service excellence for our customers
- Actively managing our balance sheet and continuing to maintain prudent and diverse funding sources

Active capital management will continue to be a focus. Our debt maturities are fully funded to 2010 and the committed development program is fully funded through to completion in 2011.

We are actively managing all our uncommitted development activities and will only be commencing new development if they are fully funded and meet our investment criteria.



Barring unforeseen circumstances, the Group is positioned to deliver earnings of 10.8 cents per security and distributions of 7.6 cents per security in the year ending 30 June 2009.

In summary, our superior portfolio, experienced management team and focused strategy mean we are well-positioned to respond to the current market conditions and deliver sustainable returns for our investors.



Victor P Hoog Antink
Chief Executive Officer

13 March 2009

AT DEXUS WE HAVE MADE A LONG-TERM COMMITMENT TO CORPORATE RESPONSIBILITY & SUSTAINABILITY AND WE ARE DELIGHTED TO ACHIEVE EXTERNAL RECOGNITION OF OUR PROGRESS.

AS ONE OF ONLY THREE AUSTRALIAN COMPANIES INCLUDED IN THE GLOBAL 100 LIST, WE ARE PARTICULARLY PROUD TO HAVE BEEN RECOGNISED AS LEADING THE WAY IN THIS IMPORTANT AREA.

FINANCIAL REPORTS

THE FOLLOWING FINANCIAL STATEMENTS FOR DEXUS PROPERTY GROUP ARE A SUMMARY OF THE INCOME STATEMENT, BALANCE SHEET, STATEMENT OF CHANGES IN EQUITY AND CASH FLOW STATEMENT

The full financial statements, together with the notes to the financial statements and the Directors' Report can be obtained from the DEXUS website at www.dexus.com or by contacting the Infoline on 1800 819 675.

INCOME STATEMENT

	31 December 2008	31 December 2007
	(\$'000)	(\$'000)
Property revenue	342,767	339,304
Management fee income	28,333	–
Interest revenue	1,987	5,234
Contribution from equity accounted investments	27	1,472
Property revaluations	–	336,090
Other income	240	9,572
Total income	373,354	691,672
Property expenses	(82,630)	(82,192)
Financing costs	(485,817)	(144,776)
Employee benefit expense	(30,829)	–
Property devaluations and impairments	(773,044)	–
Other expenses	(35,848)	(33,319)
Total expenses	(1,408,168)	(260,287)
Profit before tax	(1,034,814)	431,385
Income and withholding tax benefit	82,921	6,232
Net profit	(951,893)	437,617
Minority interests (including RENTS)	(2,367)	(4,937)
Net profit/(loss) to stapled security holders	(954,260)	432,680

BALANCE SHEET

	31 December 2008	30 June 2008
	(\$'000)	(\$'000)
Cash and receivables	144,760	135,671
Property assets	8,948,546	8,737,874
Other (including derivative financial instruments and intangibles)	481,670	475,442
Total assets	9,574,976	9,348,987
Payables and provisions	277,182	322,528
Interest bearing liabilities	3,455,303	3,006,919
Other (including derivative financial instruments)	772,947	184,487
Total liabilities	4,505,432	3,513,934
Net assets	5,069,544	5,835,053
Minority interest	(207,127)	(205,998)
Net assets (after minority interest)	4,862,417	5,629,055

STATEMENT OF CHANGES IN EQUITY

	31 December 2008	31 December 2007
	(\$'000)	(\$'000)
Total equity at the beginning of the half year	5,835,053	5,704,943
Exchange differences on translation of foreign operations	(4,744)	(5,174)
Impairment of intangible asset	(20,893)	–
Net profit/(loss) to security holders	(951,893)	437,617
Contributions of equity	351,854	70,687
Distributions provided for or paid	(132,119)	(172,992)
Minority interest movements during the half year	(7,714)	(243,607)
Total equity at the end of the half year	5,069,544	5,791,474

FINANCIAL REPORTS (CONTINUED)

CASH FLOW STATEMENT

	31 December 2008	31 December 2007
	(\$'000)	(\$'000)
Net cash inflow from operating activities	150,405	159,666
Net cash (outflow)/inflow from investing activities	(170,536)	399,794
Net cash (outflow)/inflow from financing activities	8,650	(531,408)
Net increase/(decrease) in cash and cash equivalents	(11,481)	28,052
Cash and cash equivalents at the beginning of the period	99,214	59,603
Effects of exchange rate changes on cash and cash equivalents	10,635	1
Cash and cash equivalents at the end of the half year	98,368	87,656

INVESTOR INFORMATION

Investor information

DEXUS Property Group is listed on the Australian Securities Exchange (ASX). The ASX code is DXS.

Security holders will need to use the services of a stockbroker or online broking facility to be able to trade DEXUS Property Group securities.

Distribution payments

Distributions are paid for the six months to December and June each year. You can receive your distribution by direct credit into your nominated bank account or receive additional DEXUS securities via the distribution reinvestment plan (DRP).

If you wish to change your method of payment or your DRP participation, you should contact the DEXUS Infoline on 1800 819 675.

Non-resident tax information

Estimates that make up the DEXUS Property Group's 2008/2009 distributions are published on our website in the Investor Centre at www.dexus.com. These estimates are updated for each distribution period prior to the distribution payment and are for non-resident security holders and custodians of non-resident security holders.

Annual tax statement

Each financial year security holders will receive a tax statement. This statement summarises the distributions paid to you during the year and includes information required to complete your tax return.

Apportionment percentages

Apportionment percentages for DEXUS Property Group stapled securities since stapling can be found on the tax information page in the Investor Centre on our website at www.dexus.com or by contacting the Infoline on 1800 819 675.

Website

Information relating to the DEXUS Property Group can be found at www.dexus.com

The website contains information on our funds, property portfolio and corporate information. The site also provides access to your investment details, fund reports and ASX announcements.

Complaints handling

Any security holder wishing to lodge a complaint should do so in writing and forward it to DEXUS Funds Management Limited at the address shown in the Directory on page 22. DEXUS Funds Management Limited is a member of Financial Ombudsman Service (FOS), an independent dispute resolution scheme who may be contacted at:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Phone: 1300 780 808
Fax: +61 3 9613 6399
Email: info@fos.org.au
Website: www.fos.org.au

DIRECTORY

DEXUS Diversified Trust
ARSN 089 324 541

DEXUS Industrial Trust
ARSN 090 879 137

DEXUS Office Trust
ARSN 090 768 531

DEXUS Operations Trust
ARSN 110 521 223

Responsible Entity

DEXUS Funds Management Limited
ABN 24 060 920 783

Registered office of the Responsible Entity

Level 9, 343 George Street
Sydney NSW 2000

PO Box R1822
Royal Exchange
Sydney NSW 1225

Phone: +61 2 9017 1100
Fax: +61 2 9017 1101

Directors of the Responsible Entity

Christopher T Beare, Chair
Elizabeth A Alexander AM
Barry R Brownjohn
Stewart F Ewen OAM
Victor P Hoog Antink
Charles B Leitner III (Alternate Andrew J Fay)
Brian E Scullin

Secretaries of the Responsible Entity

Tanya L Cox
John C Easy

Auditors

PricewaterhouseCoopers
Chartered Accountants
201 Sussex Street
Sydney NSW 2000

Investor enquiries

Registry Infoline:
1800 819 675 or +61 2 8280 7126
Investor Relations: 02 9017 1330
Email: ir@dexus.com
Website: www.dexus.com

Security registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Locked Bag A14
Sydney South NSW 1235

Registry Infoline:
1800 819 675 or +61 2 8280 7126
Fax: +61 2 9287 0303
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

For enquiries regarding your holding you can either contact the Security Registry, or access your holding details via the Investor Centre on our website www.dexus.com and follow the Investor log-in links to the security registry page.

Australian Securities Exchange
ASX Code: DXS

Infoline: 1800 819 675, Monday to Friday between 8.30am and 5.30pm (Sydney time).



WOOD FIBRE FROM
SUSTAINABLE FORESTS



ENVIRONMENTAL
MANAGEMENT SYSTEMS



BLEACHING PROCESS

Consistent with DEXUS Property Group's commitment to sustainability, this report is printed with soy inks on Australian made paper, manufactured under the highest level of international environmental standards. The paper pulp is Elemental Chlorine Free (ECF) and is sourced from sustainable forests. The principal energy source (92%) of the mill is hydroelectric and wind farm and waste from the mill is recycled for compost. The mill is certified under ISO14001 environmental management systems.



